

School Capital Improvement Planning Task Force

Notes from May 13, 2014 Meeting

Piper Jaffray 1300 SW 5th Ave #3650 | Portland, OR

Members Present: Matt Donahue, Don Grotting, Geoffrey Hunnicutt, David Krumbein, David McKay, Cheri Rhinhart, Craig Roberts, Joe Rodriguez, Scott Rose, Carol Samuels, Jeana Woolley

Brian Reeder- DOE

Members Absent: Ted Wolf

Donahue opens meeting at 9:10

UPDATES FROM LAST MEETING

Rose comments on minutes from last meeting. Task Force should consider best practices from other states including Maine, Arkansas, Florida, California, and Washington. Some have good examples of funding, others of education specifications.

Next meeting:

June 10— DLR Group
421 SW 6th Ave #1212
Portland, OR 97204

PUBLIC COMMENT

Dennis Whitehouse, North Wasco County School District

- Concerned about equity of first come, first served.
- Small school districts (500 or less) would have difficulty applying for grants without technical assistance
- Technical assistance is needed regionally and ESDs are a good place to house it. You need local people to understand local problems. Higher level of technical assistance should be available to needier districts so that they can apply for funding
- 30% of state is not covered by SB 1149 funds. It would be more equitable to develop something to cover districts that aren't covered under SB 1149
- Let districts solve their issues and direct incoming funding to their own priorities, rather than tell them that funding needs to be for STEM, PE, Full K.
- Equity- average size of districts in Oregon is about 800 students.
 - Samuels- comment on first come first served-philosophically I understand the need to prioritize districts that need it more, but it makes it really difficult to define priorities because size doesn't get at the problem. Setting a maximum cap generally gets at the issue

Skip Rotticci—CISF Board Chair

- First come first served is not right for our state. Many districts are without financial resources. Regarding the potential requirement for school districts to have a long range facilities plan in order to receive funding: districts need technical assistance in order to develop a long range facilities plan so they qualify for future funding
- Prioritization –Oregon State Board of Higher Ed has good priorities including:
 - Master plan, board priorities, cost savings, campus priorities finishing projects, leveraged dollars, sustainability
- Consider more state oversight in how financing is achieved. Without transparency and accountability, no sustainable program can be developed

Tim Baugus- Vice Chair CISF Board of Directors and Technical Assistance Committee of CISF

- Feedback on Technical Assistance-
 - Equity is not defined- equity among districts
 - See PDF for comments on draft technical assistance recommendations

Renee Loveland—CISF Board & Co-Chair Research and Standards Committee

- Database will be important for setting priorities
- Robustness of data- great foundation, but there is more data available for comparative analysis across districts
 - Take bond information
- Encourage discussion around using existing data- Metro tool, other existing resources to create robust database

Morgan Allen- OSBA

- First come first served—how best to implement
- Legislature created strategic investments- one thing that has arisen is smaller districts being able to fill out grant applications in a timely fashion
- SB 273 included general language about geographic diversity and diversity of size of districts getting funding
- OSBA liked language about keeping categories broad. OSBA has concerns about using higher ed categories because the priorities for K-12 are very different
- Technical Assistance- school community wants that to be centralized. Legislature is going to have a hard time adding staffing capacity for technical assistance. Minimal staffing level needs to be established before legislature is going to think about spreading it across the state.
- Database- statute directs ODE to do that. Legislation is very specific about what school districts need to add. OSBA has concerns about adding a whole lot more data and add more requirements for database, like you see in some of the CISF handouts.
 - Allow districts to opt out if they can show that they don't have the info or would have to hire outside consultant to provide information to the state. If

you add more requirements, more districts would opt out—thereby taking us in the wrong direction

Ruth Scott—Executive Director, CISF

- A regional lottery could keep it simple. Divide state by regions, allow districts to apply regionally, then first come first serve. Pull application out of each region.
 - Woolley- once you come to the pot, you don't get to come back.
 - Whitehouse- no problem with regional
 - Samuels- I get that first come, first served may not appear to be fair, but I think it's an optical problem, not a substantive problem. QSCB was first come, first served with a cap. It was made available to small districts like Willard-Dillon and Pilot Rock. With a \$10m cap, if Eugene got a bond approved for \$200m, they would still be limited to \$10m match, whereas if Morrow was going out for \$30m, they would get \$10m—a 30% match. Maybe we could dedicate some pot off the top to less affluent districts.
 - Reeder- We are not trying to create a competitive process. What is the logic for regional pots of money if we have an objective assessment?
 - Whitehouse- regional approach would group like districts having like needs.
 - Rose- the purpose of the bill is to rise up those that aren't able to meet a standard. First come, first served is a good idea that holds districts accountable to make a phone call to ODE to get technical assistance. It needs consistency.
 - We're worrying about database with all these different data. Database shouldn't determine who is getting funding. As soon as you put information in, it is outdated. But the database is good to use to measure progress. What are we accomplishing with the money? You have to create equity by unequal distribution. We may find that there is a correlation between need and size.
 - As for staffing, we have to start small- maybe 2 people. What are the 2-3 biggest needs that we have—maybe health and safety—so we can start achieving bars. Once we've met those bars, then we add an additional layer, such as student achievement. What does this look like first five years? What about 10-15 years out?
 - Woolley- Staff would be training other people—ESDs or private consultants—to provide technical assistance. Use centralized administration to provide training to others across the state and certifying others to provide technical assistance across the state.

JOHN MYERS PRESENTATION—APA Consulting

“Funding School Capital Improvements: A National Perspective”

Current Challenges to Facility Funding

- Local elections- equal access to facility funding
 - Key concepts wealth of district shouldn't control how much is spent

- #1 obligation is how to raise equity with a limited pot of money
 - Bifurcating money--Largest share for low wealth districts, and another pot of money that is available to others
 - Look at some wealth indicator for districts. You could allocate biggest portion for equity, the rest on first come, first served based on health and safety or some other marker.
 - Rose- large districts might have higher ability to pass bonds, but Beaverton wouldn't be going out for \$680m bond if it didn't have significant needs
 - Look at wealth per pupil
 - Samuels- what about the politics of that? Largest districts also have higher representation in the legislature.
 - Myers- look at needs of the state.
- Governance changes are coming
 - Charter schools
 - Virtual and blended learning
 - Competency measures. Students might be in high school for 1 year, 3 years, or 7 years—until they are college and career ready
- The Funding Challenge
 - Estimated nationwide \$271 billion in deferred maintenance
 - In Oregon, approximately \$2.5b in deferred maintenance and need for new facilities
- Do Facilities Impact Student Performance
 - Research shows that facility conditions—general upkeep, lighting, acoustics, mechanical noise, air quality, and size affect:
 - Student performance
 - Attendance
 - Teacher attendance
 - Teacher retention
 - See National Clearinghouse for Educational Facilities
- Revenues
 - Federal dollars- there have been some primarily for specific programs QSCBS, QZBS, but not a lot of funding
 - State- primary function of state function is equalization
 - Local- uniform contribution
- Local Sources
 - GO bonds
 - Full faith and credit
 - Local option levies
 - Construction excise tax
- National Examples
 - State level funding strategies-
 - State bond issues- CA, NJ, NY
 - Dedicated revenue- AZ FIRST
 - Shared funding
 - Equalization for debt service levies (MN)

- Maryland Public School Construction program- state bond funded, requires 20%-50% local match
 - CT- state funding provides matching grants to cover 20%-80% of project costs depending on local wealth.
 - Multi-jurisdiction shared facilities, public-private partnerships
 - Elementary school built with low-income housing and then leased back to schools—Rosa Parks, Ramona
 - Charter schools in Oregon have to pay for their building out of operating budget because they don't have capital piece
 - AZ school facility funding options have been dictated in part because of their interest in funding charter schools
 - Charter schools in Oregon complement—rather than compete with—public schools
 - Hunnicutt- my option school pulls off high socio-economic status kids out of traditional classroom, which takes away more than just dollars out of traditional classrooms
 - Reeder- district administration and school boards have become pretty short sighted about maintenance. Would you recommend dedicated funding for maintenance?
 - Myers- Ideally should be local control, but during economic downturns, you have districts using maintenance money for operations.
 - There have been 3 tiers
 - Day-to-day in operating budget
 - Some dedicated money from bond
 - Bond issue
 - Reeder- power equalization brings low assessed value-per student districts up to 75% Local Option Equalization Grant
 - 0% interest bonds resulted in districts being able to pass bonds where they hadn't been able to pass a bond in decades
 - Samuels- How do you define the neediest district. Our base taxation is completely disassociated with assessed value.
 - Myers- complexity of tax valuation. It is nearly impossible to compare to another state
- Krumbein- Any research that shows the states that are best able to fund schools, what kind of tax system do they have?
 - Myers- those with strong 3-legged stool--sales, income, property taxes are better at it. Oregon has only 1.5 legs of the stool.
- Samuels- what was your sense from other school funding task force? Is changing tax structure an option/appropriate?
 - Myers- we have higher expectations of public education system than we did 10 years ago. But we have different demographics- economically disadvantaged kids that need additional resources
 - Samuels- what kind of changes

- Myers- Poverty weights 0.25 is not enough. Should be .6 or .7 to bring up the gap. Also look at English Language Learners.
- Krumbein- If you start tweaking the formula, it will paralyze the legislature
- Woolley- what are the 2-3 important things we should be looking at as we start to finalize our proposals?
 - Myers- CO BEST program—Provide some pot of money for low wealth districts that have high health and safety needs. For those communities you could really make a huge difference
 - Service equalization. There isn't going to be a lot of money from the state. To leverage the most capacity for least state money—improve cost equalization. OR can't pay debt service, but we could provide matching grant that lowers amounts dollar amount districts have to go out for
 - MN has flexibility to transfer funds to school districts during emergency
 - Rodriguez- What about requiring districts to x% of new money toward maintenance?
 - Samuels- we are already pushing against operating budgets by suggesting that we create facilities funding. I believe in maintenance, but also local control
 - Myers- you could require some sort of documentation that building has been maintained to a certain standard to be eligible for state funds.
 - Rose- WA preservation of assets formula
 - Donahue- I'm sympathetic to districts about making decisions to educate kids versus up-keeping their facilities. Some districts would love a maintenance allocation so that they would be required to spend on facilities
 - You have to put some regulations on funds so that you can ensure state funds are spent appropriately. But I don't want the rules/regulations to contribute to the inequity. Perhaps requiring districts to show a maintenance effort in the future.
 - Samuels- there are some schools that are better off and will be able to achieve it maintenance requirements, but so many others that are just barely hanging on and won't be able to.
 - Mark- You could develop an index that looks at wealth, condition of building, maintenance efforts
 - Myers-I would make sure community is really involved in facility needs that address the needs of community

DRAFT OUTLINE

Woolley- Samuels, Wolf and Woolley developed a draft report outline for discussion. Task Force has an opportunity to write up some of the background parts of the report now.

- Krumbein will develop a presentation/write-up on how higher ed and community college facilities funding works and how that differs from K-12
- Rose- for the next meeting, Rose and McKay will develop costs for different types of technical assistance needs and cost for implementing program
- Several recommendations still need to be determined and fleshed out
- Donahue- is \$20m for technical assistance/or long range facilities planning too much?
 - Woolley- this needs to be evaluated after the next biennium
 - Samuels- \$20m is the size of the current facilities grant that is at risk of being swept for other uses. The Task Force could recommend some is used for technical assistance, some for long range facilities planning, and some for staffing at ODE. We need to claim that money for school facilities before it's lost.
- Woolley- in the appendices, we should include the various presentations and research we've done.

BOND ELECTION DATA & POVERTY DATA ANALYSIS

Grzybowski and Donahue presented bond election data, which showed the number of districts having gone out for a bond over the past 15 years, how much money was requested, and how much money passed. Additionally, the analysis showed where bonds might have passed if a \$10m state match grant had increased "yes" votes by 5%.

Task Force suggestions:

- Look at repeated asks—how much did they fail by and when they eventually passed, how much by? Banks asking for less money got them over the hump and made a 3% difference.
- Millage rate reduction where they have asked for money and failed. How much did they have to reduce millage rate to get them over the hump?
- Woolley- What was the rationale for using 5%? We should have one column with a reasonable percentage but we need data to back up why we chose a particular percentage. Use this to make reasonable assumptions so that that this provides leverage: Here's what passed. Here's what could have passed.
- Hunnicutt- is Ontario an example that we can use as a case study
- There was a suggestion to add the millage rate
 - Samuels- Millage rate is not necessarily a good indicator. Several non-wealthy areas have high rates. You could look at averages: If you're at \$2.5/\$1,000 you pass at x%
 - Donahue- we could look at all this, but is it worth it? We need to determine what exactly we want the data to show before doing a lot of additional analysis.
- Woolley- once you provide technical assistance, you'll have new districts up there that haven't previously gone out for bonds
- Rose- The asks will be larger in the future as we continue to recover from

- Hunnicutt- What is the story that is going to sell to the legislature?
 - Samuels- Ontario (high poverty), Milton-Freewater (despite its best efforts just can't pass bond)

Poverty Data Analysis

- Donahue- one idea is first come first served, but if you're in the top X% in terms of poverty or bottom X% in assessed value, you get a guaranteed spot in line.
- Samuels- coming up with a formula is really hard. Simplicity of keeping it at first come first served with a cap
- McKay- first come, first served with application before bond campaign so people can use it for leverage
- Woolley- How much money toward technical assistance? We need to develop capacity in the districts that need help. We have districts that are not prepared to compete.
 - Krumbein- less than one third have the capacity. The other 2/3 thinking "what about us?" for the first go-around, let's put \$20m in
 - Myers- big major decisions: first come, first served; \$200m; \$10m match and what if, you add bottom 25% wealth—they get higher cap, maybe up to \$20m cap. To target high poverty, low wealth districts, what can you do differently for them?
- Rose- All districts have access to the funding, the cap is so big districts don't take up all the money. But what about Portland, which didn't rank high on poverty (7000 students/16%), but still that's 7000 students in poverty?
 - Samuels- that is the argument for using Assessed Value rather than poverty. Portland has a tax base that can take care of the 7000 poor students in Portland whereas in some other areas without high assessed value, they can't take care of their students in poverty.

ACTION ITEMS

- Talk more about state bond guarantee program
- Technical assistance revisions